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# Taiwan Agriculture in the Era of Globalization[1]

Ming-Ming Wu[2]

## Introduction

The term "era of globalization" is defined as the utilization of international resources and free competition among all nations. With the new round of World Trade Organization (WTO) negotiations, the "magnetic effect" of mainland China as well as the potential development of FTAs (free trade agreements) have increased the complexity for Taiwan in developing strategies to deal with such diversified issues.

Since international trade is beneficial for improving resource allocations, market-scale expansions, the division of labor, and consumer welfare, world trade liberalization will be a mega-trend of the future.

All countries, especially members of the WTO, including Taiwan, are going to have to liberalize their markets and reduce tariff rates and subsidies, according to the WTO clauses. These changes are inevitable, but we must be aware of these evolutions in the world's trade environment, and re-evaluate our strengths and weakness in order to create opportunities out of threats.

## International Competitive Ability Continuing to Weaken

It is possible to examine Taiwan's international competitive ability by reviewing changes in the import and export amounts of agricultural production. In 1986, the amount of exportation was US$ 2.85 billion while in 2001; it was US$ 3.03 billion. The amount of importation in 1986 was US$ 3.72 billion, and in 2001 it was US$ 6.85 billion. While there was only a minor increase of exportation of US$ 0.18 billion in those 15 years, the amount imported dramatically increased by US$ 3.13 billion, so the trade deficit had dramatically worsened.

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2 Professor, Department of Marketing, National Chung Hsing University
e-mail: mmwu@dragon.nchu.edu.tw

Because free trade policies have been implemented in Taiwan, our agriculture is facing more risks than ever before. The incomes that farmers receive are declining, their assets are contracting, and the living standard of farmers has yet to be improved. The policies of "upgrading the industry and improving our agricultural competitive ability, ensuring food security and consumer sovereignty, increasing farmers' income and welfare, adequately utilizing agricultural resources, enhancing harmony with the environment and ecosystems, and developing a win-win situation by working together with mainland China and all international counterparts", are all far behind their designated schedules.

Over a long period of time, mainly due to both the ruling and opposition parties being concerned about affecting minority benefits and losing votes, risks from the introduction of free market policies have increased. Aging farmers, in an effort to maintain the status quo, refuse to reform. High adjustment costs prevent most farmers from changing businesses. A lack of awareness of the crisis due to potential threats from China, and ignorance of the effects of globalization have resulted in delays in the procedural augmentation of laws and policies; budget allocations are outdated and without proper efficiency evaluations. Other problems include the misallocation of water and land resources, the failure to adjust production and marketing structures, the loss of high-tech capital and talent, inefficient export expansion, the surging increase in imports, and the continually widening gap between urban and rural markets.

Globalization allows the free operation and movement of resources and products among nations. Thus, drastic reforms of the protectionist and subsidization policies of the formerly closed economy in Taiwan are required. Production and marketing structures of the industry should immediately be adjusted under the principle of comparative advantages. The principle of "Taiwan priority" and the best allocation of macro-resources should be demanded. Otherwise, Taiwan will lose its niche in the market as globalization strengthens.

## Two Big Reforms, Five Crucial Policies

With the rapid progression of globalization, the actions of "drastic reform and a striving economy" are inevitable. The two big reforms for farmers and agribusiness organizations as well as agricultural administrative and R&D agencies should be prioritized. Five crucial policies for the reasonable allocation of land and water resource include the efficient promotion of delicate agriculture, solid improvements in the living environments of rural areas, appropriate promotion of cross-Strait investment and trade, and the rapid marketing of rural scenery and agricultural products.

For instance, agriculture water use accounted for 75% of total water usage in Taiwan in 2001; however because of a shortage of water supply in 2002 caused by a long drought, a large area of cultivation was forcibly taken out of production by the government. Obviously there is an urgent need for water resources to be rationally allocated when facing an uncertain climate.

**Enhancement and re-construction of farmers and agri-business organizations**

There is a variety of new organizations continuingly being set up in Taiwan, such as farmers associations, fishery associations, irrigation associations, agricultural cooperatives, cooperative farms, agricultural production and marketing teams, agricultural associations, agricultural improvement associations, foundations, agricultural trading and manufacturing associations, strategic alliances, etc. Mainly due to the inactivity of existing organizations, some of which are not even legal entities or natural persons, the provision of services to farmers has been unsatisfactory, and some of them were merely set up for election purposes.

There are reported to be 304 farmer associations, 40 fishery associations, 253 agricultural cooperatives, 200 cooperative farms, and 6717 production and marketing teams with overlapping functions. Members often lack of a professional background and are fairly weak in marketing knowledge as well as marketing abilities.

There is a resolution to elevate competitiveness by promulgating an *Agricultural Cooperative Law* or by promoting marketing boards, and constructing a fair system and competitive environment, which would apply to all parties.

**The organizational framework of agricultural administrative and R&D agencies needs to be re-structured**

Agricultural production value is decreasing, while production and marketing structures have dramatically changed together with macroeconomic growth. Nevertheless, food security, environmental protection, resource conservation, marketing, and trade have become more crucial these days. The existing administrative and R&D agencies are however mostly ineffective and are deficient in appropriate human resource allocation. It is necessary to consolidate the functions of these agencies, to establish statutory bodies for rapid-reaction services to production and marketing, to offer field management, product packaging, and product authentication, etc. According to the re-structuring program of the Executive Yuan, several bureaus and/or departments, some of which are under the Council of Agriculture, can be merged into other ministries. A thorough feasibility study would have to be reevaluated before such reform procedures are implemented.

## Promoting Rural Scenery and Creating Quality Product Images

Taiwan has spectacular rural sceneries, hard-working farmers, outstanding agricultural technology, convenient transportation and communications, as well as a high agricultural budget (i.e., US$ 2.75 billion of the budget was allocated for agriculture in 2001). Taiwan has long been experienced and outstanding in marketing and trade. In the era of globalization, this is an extremely good opportunity to improve Taiwan's agricultural economic growth. Three crucial strategies are to develop leisure agriculture, to activate wholesale markets, and to elevate the image of domestic products.

**Encouraging the development of leisure agriculture, creating job opportunities, and improving the rural economy**

Leisure agriculture means to promote Taiwan's scenic resources and is one of the crucial measures in implementation of the policy of "doubling the number of overseas tourists and new hometown construction". However, the situation with laws and regulations has yet to be resolved, while in the meantime, many leisure farms, leisure forests, leisure fisheries, leisure livestock farms, tourist fruit orchards, vegetable plantations, gardens, tea farms, educational farms, civil farms, and farm hostels are forced to run their businesses illegally.

**Activating wholesale markets**

Wholesale markets need to be restructured and deregulated in order to provide an efficient trading and distribution environment. It is recommended that the operational entities be either public owned/privately run or entirely privately run. Food safety and open information should be highlighted, the distance for the distribution of livestock should be shortened, unfair taxation and land-leasing discrimination should be avoided, restrictions on traders should be limited, and disputes over cooperative marketing should be resolved. There should be cross-county cooperation to construct a multi-functional logistics center including agricultural wholesale markets, while moving old wholesale markets out of downtown areas, in order to avoid pollution, reduce distribution costs, assure food safety, improve urban living quality standards, etc.

**Elevating the image of domestic products**

All domestic products targeted for domestic and international high-value markets should be examined for both safety and quality. However, selling prices of those farms which have obtained certification from GAP, CAS, and GMP have not increased; obviously, we still need to enhance field management, further promote examination for residuals of agrichemicals and prohibited chemicals, and educate consumers. The authority should also encourage consumers to purchase domestic products, and to implement indirect subsidies by

encouraging forwarders and hypermarket owners to collect lower freight and display fees. In addition, allowing non-agricultural enterprises to share the same preferential treatment as agricultural and agribusiness organizations in order to construct a competitive environment should be considered.

This article only discusses marketing issues of rural scenery and domestic agricultural products; other experts will further elaborate on the topics of water and land resources, delicate agriculture, rural development, and cross-Strait agricultural trade and investment.